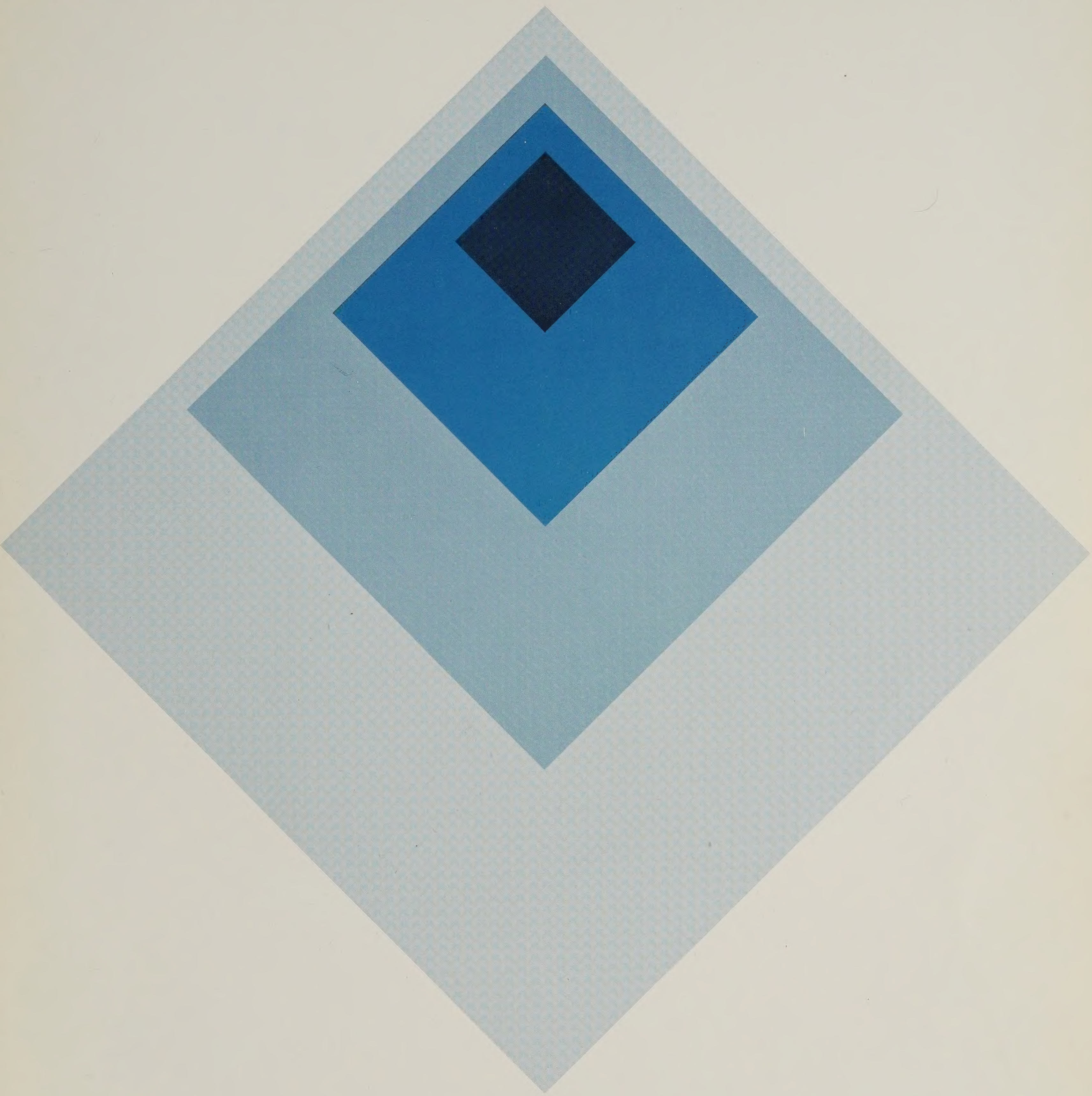
Dominion Bridge Company, Limited



Annual Report 1975

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Dominion Bridge Company, Limited
1155 Dorchester Blvd., West, Montreal, Quebec H3B 4C7

The Annual General Meeting of Shareholders will be held in the Auditorium of The Royal Bank of Canada, Place Ville Marie, Montreal, on Friday, April 2, 1976, at 11:30 a.m.

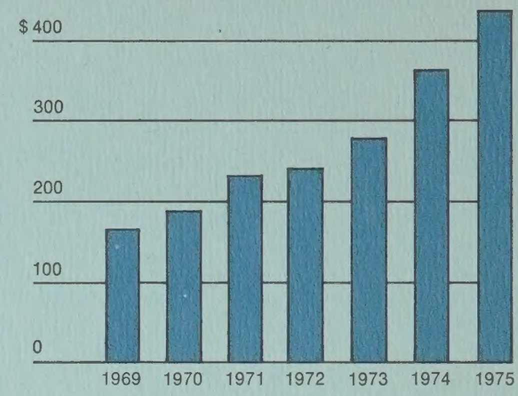
On pourra se procurer le texte français de ce rapport annuel en s'adressant au secrétariat de la compagnie.

Dominion Bridge Company, Limited

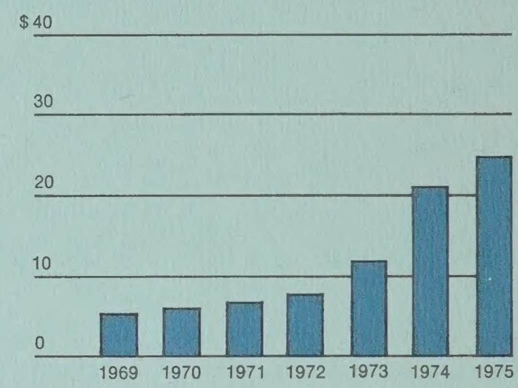
HIGHLIGHTS

Financial highlights ($ millions)	**1975**	1974
Sales	**459.3**	370.4
Net Income	**24.4**	21.7
Total assets	**327.0**	279.9
Long term debt	**31.5**	20.2
Shareholders' equity	**147.3**	127.5
Per share data ($)		
Net Income	**4.61**	4.10
Cash flow from operations	**7.10**	6.29
Dividends	**1.70**	1.08
Book value	**27.77**	24.07

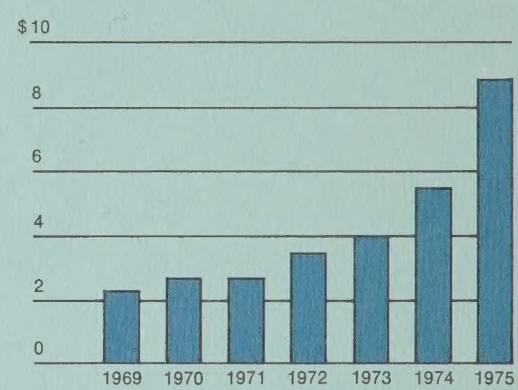
Sales (in millions)



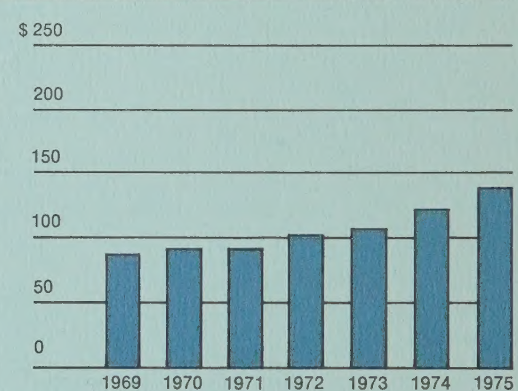
Net operating income (in millions)
(after tax and before extraordinary item)



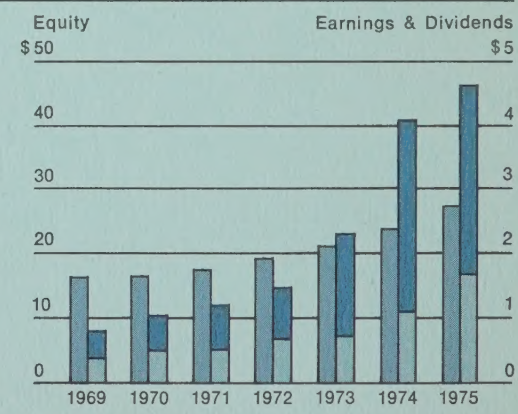
Dividends (in millions)



Shareholders' equity at year end (in millions)



- Equity per share
- Earnings per share
  (before extraordinary item)
- Dividends per share



Corporate Offices
Montreal, Que., Canada
Hanover, N. H., U. S. A.
Nassau, Bahamas

Heavy Industrial Machinery; Municipal Incineration Units; Nuclear Products; Foundries; "Turn-Key" Buildings
Calgary, Alta.
Edmonton, Alta.
Montreal, Que.
Winnipeg, Man.

Structural Steel
Amherst, N. S.
Montreal, Que.
Quebec, Que.
Regina, Sask.
Saskatoon, Sask.
Thompson, Man.
Toronto, Ont.
Vancouver, B. C.
Winnipeg, Man.

Steel Production
Selkirk, Man.

Steel Service Centres
Amherst, N. S.
Calgary, Alta.
Edmonton, Alta.
Halifax, N. S.
Montreal, Que.
Nanaimo, B. C.
Quebec, Que.
Regina, Sask.
Saskatoon, Sask.
Sault Ste. Marie, Ont.
Toronto, Ont.
Vancouver, B. C.
Winnipeg, Man.

"Whirley" and Industrial Cranes; Heavy Materials Handling Equipment; Steel Fabricators for Marine and Construction Industries
Alliance, Ohio
Chicago, Ill.
Duluth, Minn.
Houston, Tex.
Newark, Del.
New Orleans, La.
New York, N. Y.
Niagara Falls, Ont.
Port Deposit, Md.
San Francisco, Calif.

Pre-Engineered Metal Building Systems
Evansville, Wisc.
Holbrook, Mass.
Kernersville, N. C.
Memphis, Tenn.
Pine Bluff, Ark.
Turlock, Calif.

Chain Saws and Power Tools
Chicago (Park Forest), Ill.
Toronto, Ont.

Hydraulic Excavating Equipment
Indianapolis, Ind.

Processing and Packaging Machinery
Cedar Rapids, Iowa
Chicago, Ill.
Little Falls, N. Y.
Los Angeles, Calif.
New Orleans, La.
New York, N. Y.
Philadelphia, Penna.
San Francisco, Calif.

International Marketer of Raw Steel and Industrial Products; Construction Operations; Real Estate Development
Athens, Greece
Boras, Sweden
Brussels, Belgium
Hamilton, Bermuda
Manama, Bahrein
Manila, Philippine Islands
Nassau, Bahamas

Dominion Bridge Company, Limited
International Operations

The Corporation's products, as sold in recent years, are installed and operating in the 75 countries represented by blue shaded areas.

TO THE SHAREHOLDERS

The Board of Directors submits herewith its Report to the Shareholders together with the audited consolidated financial statements for the year ended December 31, 1975.

Financial Highlights

Results for 1975 reflected sales of $459 million and net income of $28.7 million. These records represent increases of 24% and 33% over the 1974 results of $370 million and $21.7 million respectively.

Earnings per share at $5.41 in 1975 compare with $4.10 in 1974 and include $0.80 of extraordinary gain on the sale of the Vancouver plant no longer meeting future requirements.

New orders booked during the year of $490 million also represented a new high and resulted in a backlog on hand at the end of 1975 of $386 million, about 10% higher than a year ago.

Profit margins before taxes in 1975 were 8.5% compared with the 1974 level of 10.3% and reflected reduced profitability of Caribbean operations and changes in product mix.

Long-term debt (Note 8 to the financial statements) increased from $20.2 million to $31.5 million, and is related to the acquisitions referred to hereunder.

Capital expenditures for the year amounted to $40 million. A substantial part of the latter was spent on acquisitions and on the intermediate section rolling mill in Manitoba which is scheduled for start-up early in 1976. Notwithstanding the purchase of four companies and an expenditure during recent years of $32 million on the Manitoba mill (which mill has been financed from internally-generated monies), working capital increased to $92.7 million at the end of 1975 compared to $77.1 million at the end of 1974. Present plans call for a continued high level of capital expenditure in 1976.

Cash flow from operations amounted to $7.10 per share, about 13% higher than 1974.

Dividends paid during 1975 amounted to $1.70 per share versus $1.08 in 1974. The quarterly declaration for the last quarter of 1975 was $0.45 per share as opposed to $0.30 per share in the same quarter of 1974. At the date of writing a dividend of $0.45 per share has also been declared for the first quarter of 1976, payable March 31, 1976.

Net return (excluding extraordinary gains) on average shareholders' equity during 1975 was 17.8% versus 18.2% in 1974.

Equity per share at the close of 1975 stood at $28.00, approximately, compared to $24.00 at the end of 1974.

Growth and Diversification

During 1975 AMCA International Corporation, the Company's wholly-owned United States subsidiary, purchased Morgan Engineering Company of Alliance, Ohio; Cherry-Burrell Corporation of Cedar Rapids, Iowa; Insley Manufacturing Corporation of Indianapolis, Indiana; and DESA Industries Inc. of Chicago, Illinois. AMCA paid $21.7 million in the aggregate for these acquisitions which were accounted for as purchases and, accordingly, the results of these operations in 1975 have been included in consolidated 1975 results from the respective dates of acquisition.

Morgan manufactures industrial and steel mill cranes and other steel mill equipment and has been integrated into AMCA's Equipment Systems Division, further strengthening and broadening the latter's successful operations.

Cherry-Burrell is a major manufacturer of processing and packaging equipment for dairies, food, beverage, chemical, cosmetic, pharmaceutical and other fluid-handling industries. It will in the future be operated as a division of AMCA.

Insley, which manufactures hydraulic excavating machines and a variety of miscellaneous construction equipment for contractors will be operated as a unit of the Equipment Systems Division of AMCA.

DESA, intended to function as an AMCA division, manufactures the well known "Remington" electric and gasoline driven chain saws and portable power tools for home use and the construction market.

All these companies are major factors in their respective industries in the North American marketplace and sell a significant proportion of their production in other world markets. The addition of Cherry-Burrell and DESA further diversifies the Company's product lines and provides a solid base for future related growth.

Finally, in 1975, AMCA purchased from Dominion Bridge the Provincial Crane operation of Bridge located in Niagara Falls, Ontario. Provincial manufactures and markets bridge and gantry overhead-travelling cranes

for the Canadian and export markets. Its operations, along with those of Morgan, have been integrated into the Equipment Systems Division of AMCA and this will provide excellent opportunities for exchange of technical information between Morgan and Provincial and Clyde Iron and Wiley Manufacturing, operating units in the Equipment Systems group.

Having completed the above-mentioned acquisitions, the Company has succeeded in establishing a major position in the United States marketplace. AMCA, the Company's United States subsidiary, which is now operating at an annual sales volume approximating $250 million, has fifteen plants and 5,000 employees.

General Commentary on Operations in 1975

The Company increased sales in each of the last seven years. 1975, for the sixth consecutive year, set a new record. Arising out of the continuing expansion in the scope of operations which resulted from internal growth and acquisitions, last year's Annual Report referred to the establishment of six operating divisions in early 1974 and intended to facilitate further growth. The new organization is functioning effectively and, as noted earlier, operations have been significantly added to in the year just concluded.

Sales by the operating divisions in 1975 were as follows: Canada 67%, United States and Caribbean 33%. Returns on capital employed were encouraging for all operations during the year with the exception of the Varco-Pruden Division in the United States and the Caribbean operations.

Net operating income in 1975 was derived 72% from Canadian operations and 28% from United States and Caribbean sectors, reflecting excellent performance by the Canadian divisions, a significant increase in the after tax earnings of the United States subsidiary, and a sharply lower contribution from the Caribbean area. It should also be noted that the acquisitions elaborated on under the preceding heading were essentially concluded in the latter part of 1975.

The basic strength of major product lines in Canada, the United States and international markets enabled the Company to meet its financial objectives in 1975 despite the difficult problems caused by worldwide economic conditions. We continue to be pleased by the Company's increasing penetration of international markets, as more fully depicted on pages 3, 4, and 5 of this Annual Report.

Heavy Equipment Division (Canada)

The operations of this Division produced substantial increases in earnings during 1975, and it enters 1976 with a large backlog of orders (122% of 1975 sales) for a broad variety of products.

The Division continues to play an important North American role in several energy related fields, including coal handling, nuclear power generation, hydraulic regulating equipment for hydroelectric plants, municipal solid waste incinerator boilers, waste heat recovery for metallurgical refining processes, oil well pumps, refinery process vessels, and hardware for electrical power transmission and distribution.

The problems of raw material supply experienced in 1974 had virtually disappeared by the latter part of 1975, but the demand for highly skilled labor still exists in some locations. It is felt that this shortage will abate during 1976.

Capacity to efficiently handle the fabrication of large and sophisticated products was enhanced during the year with the completion of new heavy assembly plants at both Montreal and Calgary, and the installation of heavy plate rolling equipment in Montreal. The Company is continuing to rationalize and upgrade its facilities for a variety of Heavy Equipment Division products, and to strengthen its proprietary position in several important lines.

Structural Steel Division (Canada)

This Division achieved record earnings in 1975. Plants operated at capacity, with the exception of Saskatchewan and Nova Scotia where strikes occurred. Earnings and activity were sustained by the record backlog carried forward from 1974. Market strength for structural steel came principally from electric power, petrochemical and steelmaking expansion programs. Although somewhat eased by increased recruitment and training, a shortage of skilled labour continued in 1975 while material shortages largely disappeared. Neither is expected to be a limiting factor in 1976.

The relocation of certain operations of the Vancouver plant (sold in 1975) to a tidewater site is proceeding and should be completed by mid 1976.

Despite a somewhat reduced level of new orders booked in 1975, backlog at the end of 1975 equalled 100% of the year's sales and should, along with forecasted demand, sustain a good level of structural operations throughout 1976.

Steel Production & Supply Division (Canada)

There was a decided easing in the demand for steel in Canada starting in the first quarter of 1975 and continuing throughout the year. The drop was less severe in the prairie provinces; accordingly, Manitoba Rolling Mills and western Steel Service Centres enjoyed a relatively good year. The brunt of the reduction in demand was felt by Quebec, Ontario and British Columbia Steel Service Centres, where strong competition depressed earnings.

The new $32 million bar and intermediate section mill at Manitoba Rolling Mills is rapidly nearing completion and will be one of the most efficient of its kind in North America. It is planned that the new mill will have trial rollings early in 1976 and that it will be phased in while the two old mills will be phased out over the balance of the year.

The grating shop in Toronto and the three-plate beam plant in Sault Ste. Marie both operated in 1975 at record levels. Late in the year a decision was made to extend the grating plant with the result that capacity will be doubled by the fall of 1976.

Competition among steel suppliers remains strong with indications of a strengthening in offshore steel prices. Now that most customers have used up their surplus inventories, the Division looks to an improvement in volume and a recovery in prices for 1976.

Varco-Pruden Division (U.S.A.)

The Division suffered in 1975 as industry sales were down approximately 35%. Varco-Pruden increased its market penetration but still had a decrease in sales of about 30% due to the recession in the United States that affected the construction market more than any other segment of industry.

1976 shows signs of improvement in the marketplace. Varco-Pruden has its operating costs under efficient control and is in position to take maximum advantage of an improved construction market.

Equipment Systems Division (U.S.A.)

This Division also achieved record sales and earnings in 1975 and goes into 1976 with the largest backlog in its history (114% of 1975 sales).

The demand for Clyde "Whirley" cranes for energy related industries continued strong throughout 1975 and was augmented by a sound market for industrial and steel mill cranes manufactured by Provincial in Niagara Falls, Ontario, and Morgan Engineering in Alliance, Ohio. The acquisition during the year of Morgan was the highlight of this Division's planned growth program. Morgan, founded in 1868, is one of the oldest and most highly reputable crane manufacturers in the world.

Span Holdings Limited (Bahamas)

Caribbean operations contributed to net operating earnings in 1975 but nonetheless had a relatively difficult year primarily as a result of the low level of raw steel sales to North America which, in turn, were a function of the high inventory positions of Span's customers throughout most of the year and the general unattractiveness in 1975 of Span's prices compared to North American price levels. With the advent of 1976 the Span Group is in a stronger position than a year ago.

Research and Development

The skilled staff of engineers, metallurgists and technicians in the Corporate Research and Development Centre were again actively involved in metallurgical research and the development of welding processes and procedures required for the Company's diverse products and contracts.

The Technical Services Department of Corporate Engineering also provided extensive assistance to the profit centres in Canada and the United States in matters of quality assurance, painting, coating and fabricating technology.

The Engineering Services Department of Corporate Engineering maintains a strong specialized capability in design, analysis, construction engineering and computer technology applications to augment the engineering staffs at the various profit centres.

Employee Relations

Throughout 1975 the climate for negotiation of collective agreements was affected by the highly inflationary environment and the full employment of skills used in industries served by the Company. In Canada, strikes lasting ten months at the two Saskatchewan plants were finally settled. Agreement was also reached at the Robb Engineering Works in Amherst, Nova Scotia, after a strike of three months. Collective agreements were made in nine other Canadian plants without work stoppages.

At a few plant locations in Canada negotiations were in progress prior to the October 14, 1975 announcement of the Federal Anti-Inflation Prices and Income legislation. The terms of settlement, which were in keeping with the Company policy to pay wages prevailing in the local area, have been filed with the Anti-Inflation Board for its ruling.

In the United States, new collective agreements were concluded in 1975 at four plants.

Negotiations for renewal of collective agreements will take place in three Canadian plants and in three United States plants in 1976.

Consolidation of pension plans of subsidiary and newly-acquired companies into the Dominion Bridge and AMCA International Contributory Pension Plans progressed in 1975 with a variety of changes made to keep fringe benefit plans competitive with other employers.

The depth of our key personnel was carefully studied during the year and programs were designed to appraise our staff and define management development needs to ensure that qualified people are available on a continuous basis to fill the Company's expanding needs.

Company Organization

Several changes in key personnel occurred in 1975.

F. J. Stevenson was appointed Vice-President, Finance, in April.

In June, R. J. A. Fricker was appointed Executive Vice-President, Canadian Operations. J. B. Phelan was appointed Vice-President, Structural Steel Division and J. A. Reekie was appointed Vice-President, Steel Production and Supply Division.

Board of Directors

At the Annual Meeting in April, R. A. Utting, Vice-President, Europe, of The Royal Bank of Canada, was elected a Director of the Company.

The Board of Directors held ten meetings during the year.

Summary

1975 was a good year for Dominion Bridge. The dedicated people who make up the Company successfully met a variety of challenges presented by unsettled economic conditions and enabled the Company to meet its objectives. During the year, existing product lines were expanded and a number of new and important lines were added by acquisitions. The United States is now clearly moving out of the recession. Notwithstanding that the Canadian economy is lagging at the moment and the imposition of controls in Canada, the Company looks forward to 1976 with confidence.

The Directors wish to thank all employees of the Company for their valuable contributions to the results of the past year.

By order of the Board of Directors

President
and Chief Executive Officer

March 9, 1976

Dominion Bridge Company, Limited

CONSOLIDATED STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1975 (in thousands)

	1975	1974
Revenues		
Sales	$459,316	$370,368
Investment and sundry income	3,032	2,396
	462,348	**372,764**
Costs and Expenses		
Cost of sales and operating expenses	411,896	324,548
Depreciation and amortization	6,685	5,636
Interest on long term debt	2,050	2,007
Interest on short term borrowings	2,774	2,433
	423,405	**334,624**
Income before Income Taxes and Minority Interest	38,943	38,140
Income taxes	14,991	14,375
Income before Minority Interest	**23,952**	**23,765**
Minority interest	490	(2,070)
Income before Extraordinary Item	**24,442**	**21,695**
Gain on sale of plant (note 3)	4,250	—
Net Income for the Year	**$ 28,692**	**$ 21,695**
Earnings per Share before Extraordinary Item	**$4.61**	**$4.10**
Earnings per Share	**$5.41**	**$4.10**
Dividends per Share	**$1.70**	**$1.08**

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1975 (in thousands)

	1975	1974
Balance at Beginning of Year	**$110,311**	**$ 90,271**
Net income for the year	28,692	21,695
Transfer of general reserve	—	4,040
	139,003	116,006
Dividends	9,012	5,695
Balance at End of Year	**$129,991**	**$110,311**

Dominion Bridge Company, Limited

CONSOLIDATED STATEMENT OF CHANGES IN WORKING CAPITAL

YEAR ENDED DECEMBER 31, 1975
(in thousands)

	1975	1974
Source of Working Capital		
Current operations	$ 37,641	$ 33,337
Proceeds from sale of assets—net (note 3)	11,369	521
Proceeds of long term debt	7,000	—
Issue of capital stock	95	12
	56,105	**33,870**
Application of Working Capital		
Net non-current assets of companies acquired		
Property, plant and equipment	18,860	—
Assumption of long term debt	(7,425)	—
Unfunded vested pension liability assumed	(4,129)	—
Fixed assets	21,038	25,234
Investments	—	1,039
Reduction of long term debt	3,136	1,788
Dividends	9,012	5,695
Dividends—minority shareholders of a subsidiary company	35	2,700
	40,527	**36,456**
Increase (Decrease) in Working Capital	15,578	(2,586)
Working capital at beginning of year	77,130	79,716
Working Capital at End of Year	**$ 92,708**	**$ 77,130**
Changes in Elements of Working Capital		
Current Assets —increase (decrease)		
Cash and short term deposits	$ 6,228	$ (2,479)
Accounts receivable	12,997	19,742
Inventories	(991)	36,979
Prepaid expenses	2,035	936
	20,269	**55,178**
Current Liabilities —increase (decrease)		
Bank and short term borrowings	(9,111)	27,635
Accounts payable and accrued liabilities	9,365	13,443
Advances on contracts	15,735	7,127
Dividends payable to minority shareholders	(2,200)	2,200
Income taxes	(7,885)	7,187
Deferred income taxes	(2,564)	(810)
Current portion of long term debt	1,351	982
	4,691	**57,764**
Increase (Decrease) in Working Capital for the Year	**$ 15,578**	**$ (2,586)**

Dominion Bridge Company, Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 1975
(in thousands)

	1975	1974
Current Assets		
Cash and short term deposits	$ 22,566	$ 16,338
Accounts receivable	91,163	78,166
Income taxes recoverable (note 4)	2,037	2,037
Inventories (note 5)	93,438	94,429
Prepaid expenses	5,019	2,984
	214,223	**193,954**
Current Liabilities		
Bank and short term borrowings	26,301	35,412
Accounts payable and accrued liabilities	60,920	51,555
Advances on contracts	24,839	9,104
Dividends payable to minority shareholders	—	2,200
Income taxes	22	7,907
Deferred income taxes	6,839	9,403
Current portion of long term debt	2,594	1,243
	121,515	**116,824**
Working Capital	**92,708**	**77,130**
Other Assets		
Investments (note 6)	9,876	14,709
Fixed assets, less depreciation (note 7)	102,152	70,424
Goodwill	743	763
	112,771	**85,896**
Total Investment	**205,479**	**163,026**
Other Liabilities		
Long term debt (note 8)	31,515	20,226
Deferred income taxes	20,638	12,593
Minority shareholders' interest	2,133	2,681
Unfunded vested pension liability of acquired companies	3,892	—
	58,178	**35,500**
Shareholders' Equity	**$147,301**	**$127,526**
Capital stock —no par value (note 9)		
Authorized —8,000,000 shares		
Issued —5,304,202 shares (1974—5,298,202)	$ 17,310	$ 17,215
Retained earnings	129,991	110,311
Shareholders' Equity	**$147,301**	**$127,526**

Approved by the Board

K. S. BARCLAY, Director

J. ANGUS OGILVY, Director

AUDITORS' REPORT

To the Shareholders
Dominion Bridge Company, Limited

We have examined the consolidated statement of financial position of Dominion Bridge Company, Limited and its subsidiary companies as at December 31, 1975 and the consolidated statements of income, retained earnings and changes in working capital for the year then ended. Our examination of the financial statements of Dominion Bridge Company, Limited and those subsidiaries of which we are the auditors, included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of the auditors who have examined the consolidated financial statements of a subsidiary.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Riddell & Co.

Chartered Accountants

Montreal, Canada
January 27, 1976

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 1975

1. SUMMARY OF ACCOUNTING POLICIES

Consolidation

All subsidiary companies are consolidated.

Revenue Recognition

Sales and profits relating to Canadian construction contracts are recognized when the contracts are completed. The company's foreign subsidiaries record sales and profits on contracts on a percentage of completion basis.

Foreign Exchange

Current assets and liabilities in foreign currencies are translated into Canadian dollars at the year end rate of exchange, other items in the statement of financial position and related depreciation and amortization at the transaction date rate, and revenues and other expense items at the average rate for the year.

Fixed Assets

Property, plant and equipment are recorded at cost. On disposal, any gain or loss is normally included in the company's revenues.

Depreciation is provided on the straight line method based on estimated useful lives.

Goodwill

The net tangible assets of businesses purchased are recorded at their fair market value at the date of acquisition. The excess of purchase price over the fair market value of these tangible assets is shown on the statement of financial position as goodwill and is being amortized over a period not exceeding forty years.

Income Tax Provisions

Deferred income taxes are provided on items included in the determination of consolidated net income irrespective of the timing of the recognition for tax purposes.

The amount of deferred income taxes included under current liabilities arises from the reporting for tax purposes on a progress basis income and expenses on construction contracts. The non-current amount is the result of claiming capital cost allowances in excess of depreciation recorded for financial reporting purposes.

Provisions have not been made for withholding taxes where applicable on undistributed income of foreign subsidiaries inasmuch as such income is being reinvested in foreign operations.

2. ACQUISITIONS

In February and October, 1975 the company's U.S. subsidiary purchased certain assets and businesses and assumed certain liabilities of Morgan Engineering Company and Cherry-Burrell Corporation respectively, and in August 1975 acquired the outstanding stock of DESA Industries Inc. The subsidiary paid $21,723,000 in aggregate for these acquisitions.

These acquisitions have been accounted for as purchases and, accordingly, results of operations from dates of acquisition have been included in the consolidated statements of income and retained earnings.

If the above acquisitions had been made at the beginning of 1974, the unaudited pro forma net sales and income before extraordinary item of Dominion Bridge Company, Limited would have been $516,241,000 and $27,158,000 for 1975 and $472,340,000 and $26,280,000 for 1974.

3. GAIN ON SALE OF PLANT

During 1975, a plant no longer meeting future requirements was sold. The net gain of $4,250,000 represents the profit on the sale, offset by income and capital gains taxes of $1,773,000 and by applicable expenses (net of a tax recovery of $2,435,000). Net proceeds are included in proceeds from sale of assets in the consolidated statement of changes in working capital.

4. INCOME TAXES

As previously reported, assessments have been issued by Canadian taxation authorities for the years 1967, 1968, and 1969 totalling approximately $1,800,000 exclusive of interest. These assessments related to subsidiary operations resident in the Bahamas. The amount of $2,037,000 shown as income taxes recoverable on the statement of financial position represents payment by the company of these assessments inclusive of interest.

During 1975, the Federal Court of Canada rendered a decision in respect of the assessments in favour of the Canadian taxation authorities. This decision has since been appealed.

Relative to 1970 and subsequent years, the company has not received assessments pertaining to the above noted operations and accordingly no further provisions have been made.

5. INVENTORIES—at the lower of net realizable value or cost (in thousands)

	1975	1974
Expenditures on uncompleted contracts	$143,069	$129,647
Amount billed	119,381	113,604
Net work in progress	23,688	16,043
Steel and other supplies—cost calculated on the first in first out basis	69,750	78,386
	$ 93,438	$ 94,429

6. INVESTMENTS (in thousands)

	1975	1974
Marketable securities at cost (quoted market value 1975—$7,325 1974—$9,149)	$ 9,047	$ 13,529
Other	829	1,180
	$ 9,876	$ 14,709

7. FIXED ASSETS (in thousands)

	Cost	Accumulated Depreciation	1975 Net	1974 Net
Property	$ 6,002	$ —	$ 6,002	$ 4,130
Plant	42,492	14,339	28,153	19,893
Machinery and equipment	112,843	44,846	67,997	46,401
	$161,337	$ 59,185	$102,152	$ 70,424

8. LONG TERM DEBT (in thousands)

	1975	1974
6½% Sinking fund debentures Series A due 1986	$ 8,047	$ 8,447
Notes payable—bank U.S.	24,875	12,000
—other U.S.	1,187	1,022
	34,109	21,469
Due within one year	2,594	1,243
	$ 31,515	$ 20,226

The Series A debentures are secured by a floating charge on all assets of the company and certain restricted subsidiaries. The trust deed contains certain restrictive covenants pertaining to cash dividends, requiring defined minimum working capital and income levels. At December 31, 1975, these defined amounts are substantially exceeded.

The notes payable to bank are liabilities of wholly owned subsidiary companies which are unrestricted subsidiaries under the trust deed for the Series A debentures. Of the notes payable, $11,000,000 bear interest at ¾ of 1% above the prime rate of the applicable bank, due in installments through 1984 and $13,875,000 at 1¾% above the prime rate of the applicable bank, due in installments through 1980. The notes are secured by the assets of the subsidiaries and are not guaranteed by the company or any subsidiary.

Repayment schedule to 1981 is as follows:

	1977	1978	1979	1980	1981
Series A debentures	$ —	$ 47	$ 500	$ 500	$ 500
Notes payable	3,138	2,930	2,700	8,900	1,200
	$3,138	$2,977	$3,200	$9,400	$1,700

9. CAPITAL STOCK

During 1975, 6,000 shares were issued for $94,500 cash under employee stock options. At December 31, 1975 employee stock options were outstanding with respect to 12,800 shares exercisable at $15.75 up to September 1979, none of which were held by directors of the company.

10. RETIREMENT PLANS

Pension costs charged against income in the year include payments made to trust funds under the companies' pension plans for current and past service requirements as determined by an independent actuary. Unfunded past service costs in respect of pensions ultimately payable to the present employees are estimated to be $8,344,000 at December 31, 1975. Of this amount, $2,618,000 is amortized by equal monthly charges to operations by 1991, and $5,726,000 is being funded over periods not exceeding forty years.

11. REMUNERATION OF DIRECTORS AND OFFICERS

The aggregate remuneration for 1975 of the company's fifteen directors and two honorary directors was $204,025 including $68,050 paid by subsidiary companies. The aggregate remuneration of the company's twelve officers as such was $1,030,946. Five officers are directors of the company.

12. FEDERAL ANTI-INFLATION LEGISLATION

The company is subject to the regulations of the Anti-Inflation Act (Canada) which became effective 14th October, 1975. This Act imposes restrictions on revenues, compensation to employees and payment of dividends to shareholders, which dividends cannot exceed the current annual rate of $1.80 per share in the year ending October 13, 1976.

The implementation of the Act is not expected to have any material effect on 1976 income having regard to, among other considerations, the diversity of the company's operations and the anticipated contribution to 1976 income from other than Canadian sources.

Dominion Bridge Company, Limited

STATISTICAL SUMMARY	1975	1974	1973
Operating Results ($ millions)			
Sales	**459.3**	370.4	278.4
Income before taxes and minority interest	**38.9**	38.1	21.6
Income taxes	**15.0**	14.4	8.6
Net income	**24.4**	21.7	12.3
Extraordinary items	**4.3**	—	—
Dividends	**9.0**	5.7	4.0
Income retained	**19.7**	16.0	8.3
Financial Condition and Ratios			
Working capital	**92.7**	77.1	79.7
Cash flow from operations	**37.6**	33.3	19.7
Net fixed assets	**102.2**	70.4	51.0
Depreciation and amortization	**6.7**	5.6	4.6
Additions to fixed assets	**39.9**	25.2	14.1
Long term debt	**31.5**	20.2	22.0
Shareholders' equity	**147.3**	127.5	111.5
Return on average shareholders' equity %	**17.8**	18.2	11.5
Net income on sales %	**5.3**	5.9	4.4
Per Share Data ($)			
Sales	**86.59**	69.91	52.56
Net income	**4.61**	4.10	2.34
Extraordinary items	**0.80**	—	—
Dividends	**1.70**	1.08	0.75
Income retained	**3.71**	3.02	1.59
Cash flow from operations	**7.10**	6.29	3.71
Equity at year end	**27.77**	24.07	21.06
Shareholders and Employees			
Number of shareholders	**3,504**	3,402	3,607
Number of employees	**11,166**	9,087	8,122
Number of shares outstanding (thousands)	**5,304**	5,298	5,296

Data for past years has been adjusted to reflect the two-for-one stock subdivision in November 1974 and results for 1966 have been restated on a full tax allocation basis.

1972	1971	1970	1969	1968	1967	1966
236.6	234.9	196.5	168.0	154.2	171.8	151.9
11.7	10.4	11.1	6.9	6.0	7.2	10.4
4.1	4.0	5.5	2.8	2.3	3.3	4.8
7.6	6.2	5.6	4.1	3.6	3.9	5.5
5.9	—	1.1	0.7	—	—	—
3.5	2.6	2.6	2.1	2.2	2.6	2.3
10.0	3.6	4.1	2.7	1.4	1.3	3.2
69.5	56.8	57.3	58.2	51.2	50.1	56.7
11.9	10.0	9.4	7.8	6.9	9.0	10.3
41.7	42.9	40.0	39.6	39.6	40.7	36.8
3.9	4.3	3.8	3.4	3.3	2.6	2.4
3.5	7.4	3.8	3.4	2.8	6.5	10.4
10.2	10.4	10.7	11.0	12.4	14.1	20.6
102.7	92.5	88.6	84.5	81.8	80.3	79.0
7.8	6.8	6.5	4.9	4.4	4.9	7.1
3.2	2.7	2.8	2.5	2.4	2.3	3.6
45.12	45.04	37.99	32.49	29.82	33.24	29.38
1.46	1.20	1.09	0.80	0.70	0.75	1.07
1.13	—	0.21	0.13	—	—	—
0.67	0.50	0.50	0.40	0.42	0.50	0.45
1.91	0.70	0.80	0.53	0.28	0.25	0.62
2.26	1.92	1.83	1.50	1.33	1.75	1.98
19.58	17.73	17.12	16.35	15.82	15.54	15.29
3,854	4,555	5,884	6,042	6,084	6,088	6,159
7,152	7,256	6,759	7,280	7,611	7,617	9,012
5,243	5,215	5,173	5,170	5,170	5,170	5,170

Dominion Bridge Company, Limited

Incorporated under the Companies Act of Canada, 30th July 1912
(As successor to a Company of the same name incorporated in 1882)

Directors

*John B. Barber, Vice Chairman and Senior Vice President, and Director, The Algoma Steel Corporation, Limited

*K.S. Barclay, President and Chief Executive Officer, Dominion Bridge Company, Limited

Philippe de Gaspé Beaubien, President, Télémédia Communications Limitée

R.E. Chamberlain, Executive Vice-President, Dominion Bridge Company, Limited

A.J.E. Child, President and Chief Executive Officer, Burns Foods Limited

R.J.A. Fricker, Executive Vice-President, Dominion Bridge Company, Limited

*D.S. Holbrook, Chairman and Chief Executive Officer, The Algoma Steel Corporation, Limited

*Herbert H. Lank, Director, Du Pont of Canada Limited

John Macnamara, President and Chief Operating Officer, The Algoma Steel Corporation, Limited

Brian R.B. Magee, Chairman and Managing Director, A.E. LePage Limited

*MacKenzie McMurray, Chairman of the Board, Dominion Bridge Company, Limited

*J. Angus Ogilvy, Q.C. Vice-President, Dominion Bridge Company, Limited Senior Partner: Ogilvy, Cope, Porteous, Montgomery, Renault, Clarke & Kirkpatrick

Dalton D. Ruffin, Senior Vice-President, Wachovia Bank and Trust Company, N.A.

*W.J. Stenason, Executive Vice-President, Canadian Pacific Investments Limited

R.A. Utting, Vice-President, Europe, The Royal Bank of Canada

*Member of the Executive Committee

Corporate Officers

MacKenzie McMurray,
Chairman of the Board

X K.S. Barclay,
President and Chief Executive Officer

J. Angus Ogilvy, Q.C.,
Vice-President

R.J.A. Fricker,
Executive Vice-President
Canadian Operations

R.E. Chamberlain,
Executive Vice-President
Heavy Equipment Division

J.B. Phelan,
Vice-President
Structural Steel Division

J.A. Reekie,
Vice-President
Steel Production and Supply Division

X F.J. Stevenson,
Vice-President, Finance

D.H. Cross,
Vice-President
Corporate Staff

O.C. Ladanyi,
Vice-President and Controller

A.B. Bjornsson,
Vice-President
Engineering

R.A.C. Henry,
Secretary

Honorary Directors

R.D. Harkness,
Retired

Vernon E. Johnson,
Retired

The Hon. Lazarus Phillips, Q.C.,
Partner: Phillips & Vineberg

Subsidiary Company Officers

K.S. Barclay,
Chairman and Chief Executive Officer
AMCA International
Corporation, U.S.A.

J. Hatcher,
President
AMCA International
Corporation, U.S.A.

G.A. Law,
President
Span Holdings Limited
Nassau, Bahamas

Divisional Management

CANADA

Dominion Bridge Company, Limited

Heavy Equipment Division
R.E. Chamberlain
Executive Vice-President

Structural Steel Division
J.B. Phelan
Vice-President

Steel Production and Supply Division
J.A. Reekie
Vice-President

U.S.A.

AMCA International Corporation

Cherry-Burrell
G.J. Remus
President

DESA Industries
R.H. Elman
President

Equipment Systems
M.J. Ucci
President

Clyde Iron
Insley Manufacturing
Morgan Engineering
Provincial Crane
Wiley Manufacturing

Varco-Pruden
C.B. Rouse
President

BAHAMAS

Span Holdings Limited
G.A. Law
President

Executive Offices

Montreal, Quebec, Canada

Subsidiary and Affiliated Companies

AMCA International Corporation
Hanover, New Hampshire, U.S.A.

AMCA Heavy Equipment Limited
Cherry-Burrell Corporation
DESA Industries Inc.
DESA International Sales Corporation
DESA Industries of Canada Ltd.
Insley Manufacturing Corporation

Span Holdings Limited
Nassau, Bahamas

Cavalier Construction Company Limited
Cavalier Construction Company (Freeport) Limited
Cavalier International, Inc.
Span International Limited
Span International (Belgium) S.A./N.V.
Span International (Bermuda) Limited
Span Enterprises Limited
Windermere Beach Apartments Limited

ECAN Limited
Quebec, Que.

MBE Limited
Winnipeg, Manitoba

Transfer Agents

The Royal Trust Company

Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver

Registrars

Montreal Trust Company

Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver

Bankers

The Royal Bank of Canada

Bank of Montreal

The Toronto Dominion Bank

Wachovia Bank and Trust Company, N.A.

Continental Illinois National Bank and Trust Company of Chicago

Dartmouth National Bank of Hanover

Maryland National Bank

Stock Exchanges

Montreal
Toronto

Printed in Canada